

Message Text

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ACTION EUR-10

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LIMITED OFFICIAL USE USNATO 5608

E.O. 11652: N/A

TAGS: ECON, MILI, NATO

SUBJECT: ECONADS: EFFECTS OF INFLATION ON DEFENSE EXPENDITURES OF
NATO MEMBER COUNTRIES

REF: USNATO 5341

1. BELOW IS THE TEXT OF DECISION SHEET (AC/127-R/442) REGARDING
SEPTEMBER 26 MEETING ON INFLATION AND DEFENSE SPENDING. ECONOMIC
COMMITTEE CHAIRMAN ASKS THAT ECONADS APPROVE OR MODIFY IT AT
NEXT COMMITTEE MEETING OCTOBER 17. BELGIAN ECONAD HAS ALREADY
SUGGESTED MODIFYING PARAGRAPH (3) AS FOLLOWS TO REFLECT HIS
UNDERSTANDING THAT EXPERTS AGREED, AS A FIRST STEP, TO CALCULATE
SEPARATE DEFLATORS FOR PERSONNEL COSTS AND OTHER OPERATIONAL COSTS,
LEAVING UNTIL LATER THE CALCULATION OF DEFLATORS FOR CAPITAL
EQUIPMENT: "AGREED, WITH THIS IN MIND, THAT THE NATIONAL EXPERTS
SHOULD AS A FIRST STEP WORK OUT TWO DEFLATORS APPLICABLE TO THEIR
COUNTRIES, ONE FOR PERSONNEL COSTS AND ONE FOR ALL OTHER OPERATIONAL
DEFENSE EXPENDITURES." MISSION WOULD APPRECIATE WASHINGTON COMMENTS
ON DECISION SHEET BY OCTOBER 15.

2. QTE.

I. EFFECTS OF INFLATION ON THE DEFENCE EXPENDITURE OF NATO

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MEMBER COUNTRIES

REFERENCES:

ED/EC/74/25

ED/EC/74/29
ED/EC/74/30
ED/EC/74/31
ED/EC/74/33
ED/EC/74/37
ED/EC/74/45

THE COMMITTEE:

(1) NOTED THAT THE WRITTEN CONTRIBUTIONS SUBMITTED, DURING THE MEETING BY THE UNITED KINGDOM, UNITED STATES AND ITALIAN DELEGATIONS WOULD BE CIRCULATED BY THE INTERNATIONAL STAFF AS ADDENDA TO THE SUMMARY RECORD OF THE MEETING;

(2) NOTED FURTHER, AT THE REQUEST OF THE GERMAN DELEGATION, THAT THE PURPOSE OF THE MEETING WAS NOT TO ADOPT FINAL METHODS BUT TO IDENTIFY THE PROBLEMS MORE CLEARLY AND EXCHANGE VIEWS ON HOW TO TACKLE THEM;

(3) AGREED, WITH THIS IN MIND, THAT THE NATIONAL EXPERTS SHOULD AS A FIRST STEP WORK OUT TWO DEFLATORS APPLICABLE TO THEIR COUNTRIES, ONE FOR PERSONNEL COSTS AND ONE FOR ALL OTHER DEFENCE EXPENDITURES;

(4) AGREED THAT TO PRODUCE THESE DEFLATORS THE EXPERTS SHOULD TRY TO USE THE SUB-CATEGORIES GIVEN IN THE NATO DEFINITION OF DEFENCE EXPENDITURES (ED/EC/74/45 AND DPQ(74), ANNEX A), FIRSTLY, WITH REGARD TO PERSONNEL COSTS AND LATER ON FOR THE OTHER OPERATING EXPENDITURES; ALSO NOTED IN THIS CONNECTION THAT SEVERAL DELEGATIONS HAD STATED THEIR INTENTION OF KEEPING IN TOUCH WITH THE INTERNATIONAL STAFF STATISTICS SERVICE SO AS TO AVOID ANY MISINTERPRETATION OF THIS DEFINITION;
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(5) NOTED THAT THE FRENCH DELEGATION HAD BEEN REQUESTED TO DEVELOP A DEFLATOR FOR CAPITAL EXPENDITURE BASED ON THE TREND OF PRODUCTION FACTOR COSTS AND THAT IT HAD FELT ABLE TO DO SO FAIRLY SOON; AGREED THAT THIS QUESTION WOULD BE DEALT WITH LATER;

(6) INVITED DELEGATIONS TO FORWARD TO THE INTERNATIONAL STAFF BY 1ST FEBRUARY, 1975 AT THE LATEST, THE RESULTS OF THEIR EXPERTS' WORK, SO THAT A FUTURE COMMITTEE MEETING ON THIS QUESTION COULD BE PREPARED;

(7) NOTED THAT THE COMMITTEE WOULD DECIDE LATER ON THE

EXACT DATE FOR THIS MEETING, WHICH WOULD MOST LIKELY
BE HELD NEXT SPRING.

END QTE.
MCAULIFFE

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